



P A S O F I N O G O L D

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
OCTOBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Pasofino Gold Limited

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at October 31, 2021	As at April 30, 2021
ASSETS		
Current assets		
Cash	\$ 645,958	\$ 1,925,956
Sales tax receivables	45,407	34,371
Marketable securities (note 5)	45,261	-
Prepaid expenses	57,400	123,411
Advance (note 4)	32,620	492,806
Deferred transaction costs	-	202,525
Total current assets	826,646	2,779,069
Non-current assets		
Property and equipment (note 6)	45,483	55,589
Total non-current assets	45,483	55,589
Total assets	\$ 872,129	\$ 2,834,658
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Amounts payable and other liabilities (note 11)	\$ 1,345,788	\$ 3,150,925
Share subscription liability (note 7(b)(i))	-	1,901,027
Total liabilities	1,345,788	5,051,952
Shareholders' Deficiency		
Capital stock (note 7(b))	60,120,265	52,172,889
Contributed surplus (note 7(d)(e))	6,755,404	4,175,730
Deficit	(67,349,328)	(58,565,913)
Total shareholders' deficiency	(473,659)	(2,217,294)
Total liabilities and shareholders' deficiency	\$ 872,129	\$ 2,834,658

Nature of business and going concern (note 1)

Commitments and contingencies (note 12)

Amendments to prior period (note 13)

Subsequent event (note 14)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Pasofino Gold Limited

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended October 31,		Six months ended October 31,	
	2021	2020 (note 13)	2021	2020 (note 13)
Expenses				
Exploration expense (note 9)	\$ 2,621,303	\$ 34,125,389	\$ 6,458,683	\$ 34,295,476
Share-based payments (note 7(d))	996,238	-	2,186,704	-
Management fees (note 11)	304,874	37,000	616,892	52,000
Professional fees (notes 10 and 11)	243,609	282,475	399,684	337,474
Office and general (note 10)	106,678	121,214	215,914	260,097
Director fees	52,500	-	105,000	-
Investor relations	2,632	261,967	97,534	261,967
Depreciation (note 6)	5,053	-	10,106	-
Communications and travel	307	1,793	4,144	1,793
Loss before the undernoted	(4,333,194)	(34,829,838)	(10,094,661)	(35,208,807)
Foreign exchange loss	(196,878)	(70,872)	(131,684)	(113,718)
Unrealized gain on marketable securities (note 5)	38,064	-	15,064	-
Realized gain on sale of marketable securities (note 5)	186,366	-	186,366	-
Sale of property interest (note 9(a))	-	-	1,241,500	-
Net loss and comprehensive loss for the period	\$ (4,305,642)	\$(34,900,710)	\$ (8,783,415)	\$(35,322,525)
Basic and diluted loss per share (note 8)	\$ (0.14)	\$ (2.37)	\$ (0.28)	\$ (3.19)
Weighted average number of common shares outstanding - basic and diluted	31,635,000	14,705,673	31,331,249	11,086,950

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Pasofino Gold Limited
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Six months ended
October 31,
2021 **2020**
(note 13)

Operating activities:		
Net loss for the period	\$ (8,783,415)	\$(35,322,525)
Adjustments for:		
Depreciation (note 6)	10,106	-
Share-based payments (note 7(d))	2,186,704	-
Unrealized gain on marketable securities (note 5)	(15,064)	-
Realized gain on marketable securities (note 5)	(186,366)	-
Shares issued to acquire ARX (note 4)	-	30,809,344
Shares received in connection with sale of property interest (note 9(a))	(241,500)	-
Changes in non-cash working capital items:		
Sales tax receivables	(11,036)	(110,667)
Prepaid expenses	66,011	(195,865)
Advance	460,186	(752,437)
Accounts payable and other liabilities	(1,577,556)	1,125,640
Net cash used in operating activities	(8,091,930)	(4,446,510)
Investing activities:		
Advance to ARX prior to acquisition	-	(2,914,046)
Proceeds from sale of marketable securities	498,314	-
Purchase of marketable securities	(100,645)	-
Cash acquired from the acquisition of ARX (note 4)	-	12,242
Net cash provided by (used in) investing activities	397,669	(2,901,804)
Financing activities:		
Shares issued for cash (note 7(b))	7,098,978	6,300,000
Special warrants (note 7(c))	-	10,020,000
Share issue costs	(684,715)	(1,061,087)
Exercise of warrants (note 7(b))	-	575,600
Net cash provided by financing activities	6,414,263	15,834,513
Net change in cash	(1,279,998)	8,486,199
Cash, beginning of period	1,925,956	119,228
Cash, end of period	\$ 645,958	\$ 8,605,427
Supplemental information:		
Issuance of broker warrants (note 7(b))	\$ 392,970	\$ -
Shares issued as settlement of debt (note 7(b))	\$ 227,581	\$ -
Issuance of broker options (note 7(c))	\$ -	\$ 340,000

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Pasofino Gold Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

Equity attributable to shareholders

	Number of common shares	Capital stock	Special warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2020	943,518	\$ 9,425,365	\$ -	\$ 3,237,903	\$(12,709,052)	\$ (45,784)
Shares issued to acquire ARX (notes 4 and 7(b))	9,632,860	27,902,913	-	-	-	27,902,913
Issue of shares for cash (note 7(b))	8,766,234	6,300,000	-	-	-	6,300,000
Issue of special warrants for cash (note 7(c))	-	-	10,360,000	-	-	10,360,000
Share issue costs	-	(83,948)	(1,317,139)	-	-	(1,401,087)
Exercise of warrants (note 7(b))	342,619	693,118	-	(117,518)	-	575,600
Net loss and comprehensive loss for the period	-	-	-	-	(35,322,525)	(35,322,525)
Balance, October 31, 2020	19,685,231	\$ 44,237,448	\$ 9,042,861	\$ 3,120,385	\$(48,031,577)	\$ 8,369,117
Balance, April 30, 2021	22,313,485	\$ 52,172,889	\$ -	\$ 4,175,730	\$(58,565,913)	\$ (2,217,294)
Issue of shares for cash (note 7(b))	9,183,679	9,000,005	-	-	-	9,000,005
Shares issue costs	-	(887,240)	-	-	-	(887,240)
Broker warrants (note 7(b))	-	(392,970)	-	392,970	-	-
Shares issued as settlement of debt (note 7(b))	147,780	227,581	-	-	-	227,581
Share-based payments (note 7(d))	-	-	-	2,186,704	-	2,186,704
Net loss and comprehensive loss for the period	-	-	-	-	(8,783,415)	(8,783,415)
Balance, October 31, 2021	31,644,944	\$ 60,120,265	\$ -	\$ 6,755,404	\$(67,349,328)	\$ (473,659)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Business and Going Concern

Pasofino Gold Limited, (the "Company" or "Pasofino") was incorporated on August 18, 2010 under the Business Corporations Act of British Columbia. On April 19, 2013, the Company completed its Qualifying Transaction, and as a result, the Company ceased to be a CPC and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange ("TSXV") under the new trading symbol "NRL.V". In early 2017, the ticker was changed to "VEIN". On December 8, 2020, the Company's common shares commenced trading on the OTCQB Venture Market ("OTCQB") in the United States. The Pasofino ticker is (OTCQB: EFRGF).

The principal business of the Company is the acquisition, exploration, and development of mineral properties. On September 17, 2020, the Company completed the acquisition of ARX Resources Limited ("ARX"). Refer to note 4.

The Company's head office, and registered and records office is 366 Bay Street, Suite 200, Toronto, Ontario, M5H 4B2.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

On July 22, 2021, the Company completed a share consolidation of its share capital on the basis of fourteen (14) existing common shares for one (1) new common share consolidation. All common shares, per common share amounts, warrants and stock options in these unaudited condensed interim consolidated financial statements have been retroactively restated to reflect the share consolidation.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next 12 months. At October 31, 2021, the Company had an accumulated deficit of \$67,349,328 (April 30, 2021 - \$58,565,913), expects to incur further losses in the development of its business, and had a working capital deficit of \$519,142 (April 30, 2021 – working capital deficiency of \$2,272,883).

The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from raising equity capital and/or borrowing sufficient funds to meet current and future obligations. In order to continue as a going concern and meet its corporate objective, the Company will require additional financing through debt or equity issuances or other available means. However, there is no assurance that the Company will continue to be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Business and Going Concern (Continued)

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

In March 2020, the outbreak of the novel strain of corona virus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. However, in spite of these challenges, COVID-19 has not negatively impacted the Company's exploration programs, though it remains uncertain of what the future impact would be.

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements are prepared in accordance with IFRS, including International Accounting Standards ("IAS") 34, Financial Reporting, as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all the information required for full annual financial statements by IFRS. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2021 which includes the information necessary or useful to understanding the Company's business and financial statement presentation.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, under historical cost convention. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on **December 30, 2021**.

3. Significant Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies, critical estimates and judgements used in the preparation of the audited consolidated financial statements of the Company for the year ended April 30, 2021, which are available on SEDAR at www.sedar.com, except as noted below.

Marketable securities

The Company's short-term investments are measured at fair value through profit or loss ("FVPL"). Financial assets measured at FVPL are carried at fair value in the unaudited condensed interim statements of financial position with changes in fair value recognized in the unaudited condensed interim consolidated statements of loss and comprehensive loss. The marketable securities are classified as Level 1 in the fair value hierarchy.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant Accounting Policies (Continued)

Future Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of these standards on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 16 - Property, Plant and Equipment was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

4. Acquisition of ARX

On September 17, 2020, the Company announced that it had completed its acquisition of all the issued and outstanding shares of ARX. Pursuant to the transaction, Pasofino issued an aggregate of 9,632,860 shares (the "Consideration Shares") to the shareholders of ARX (the "Vendors"). The Consideration Shares issued to the Vendors will be subject to a two-year contractual lock-up, released in 25% installments every six months, with the release of the first 25% of the Consideration Shares to occur six months from September 17, 2020.

ARX is party to an earn-in agreement with Hummingbird Resources PLC ("Hummingbird PLC") in respect of the Dugbe Gold Project in Liberia (the "Dugbe Gold Project") whereby, in accordance with the earn-in agreement, as amended (the "Option Agreement"), ARX is entitled to earn a 49% interest (prior to issuance of 10% carried interest to the Government of Liberia) in Hummingbird Resources (Liberia) Inc. ("Hummingbird Liberia"), which owns 100% of the Dugbe Gold Project and is subject to various conditions. When the 10% carried interest is issued by Hummingbird Liberia to the Government of Liberia, the interest earned or held by ARX will be a 44.1% economic interest (consisting of a 39% shareholding interest in Hummingbird Liberia and economic rights in 5.1% of the equity securities of Hummingbird Liberia held by Hummingbird PLC). In addition, Hummingbird PLC will transfer to ARX 49% of the inter-company loans owing by Hummingbird Liberia to Hummingbird PLC.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

4. Acquisition of ARX (Continued)

In order to earn its interest under the Option Agreement, ARX is required to complete a Feasibility Study, under joint management committee oversight, on the Dugbe Gold Project and cover the overhead and operating costs associated with the Dugbe Gold Project during the two year earn-in period. This work is estimated to be US\$10,000,000 (\$12,285,000) over the earn-in period. In addition, ARX is required to fund during the term of the Option Agreement approximately US\$700,000 of the payment obligations of Hummingbird Liberia under the Mineral Development Agreement with the Government of Liberia.

As at October 31, 2021, the Company has advanced \$32,620 (April 30, 2021 - \$492,806) to Hummingbird Liberia to be spent on exploration expenditures during the earn-in period.

The two-year period may be extended for up to twelve additional one month periods upon the payment of \$1,000,000 before the expiry of each previous period.

The Project is subject to a net smelter return royalty of 5% - 5.5%.

In accordance with IFRS 3 - Business Combinations, the Transaction does not meet the definition of a business combination as ARX has not yet commenced principal operations and is in the exploration stage. Consequently, the transaction has been recorded as an acquisition of an asset in accordance with IFRS 2 - Share-based Payment.

Purchase Price Consideration

9,632,860 common shares of Pasofino ⁽¹⁾	\$ 27,902,913
Total	\$ 27,902,913

Net Assets Acquired (Estimated Fair Value)

Cash	\$ 12,242
Prepaid expenses	27,567
Mineral properties (note 9(b))	30,809,344
Amounts payable and other liabilities	(42,240)
Loan payable ⁽²⁾	(2,904,000)
Total net assets	\$ 27,902,913

⁽¹⁾ As the shares issued to the Vendors are subject to an escrow agreement with timed releases over a two-year period, a discount was applied to the quoted market price of the Company's shares. The valuation was based on the September 17, 2020 quoted market price of \$3.71 per share, subject to an aggregate discount for the escrow conditions determined to be approximately 22% (\$7,835,000).

⁽²⁾ Prior to the acquisition of ARX, the Company advanced to ARX a total of \$2,904,000 (US\$2,200,000). The loans were due on demand with interest at 7%. Security was provided by ARX upon written request from the Company. On September 17, 2020, the Company completed the acquisition of all the issued and outstanding shares of ARX.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

5. Marketable Securities

October 31, 2021	Number of shares	Cost	Unrealized gain	Fair market value
QC Copper & Gold Inc. ("QC Copper") (i)	124,000	\$ 30,197	\$ 15,064	\$ 45,261

April 30, 2021	Number of shares	Cost	Unrealized gain	Fair market value
QC Copper	-	\$ -	\$ -	\$ -

During the three and six months ended October 31, 2021, the Company recorded an unrealized gain on marketable securities of \$38,064 and \$15,064, respectively (three and six months ended October 31, 2020 - \$nil) in the unaudited condensed interim consolidated statement of loss and comprehensive loss and recorded a realized gain on marketable securities of \$186,366 (three and six months ended October 31, 2020 - \$nil).

(i) Refer to note 9(a).

6. Property and Equipment

Cost	Computer equipment	Motor vehicles	Total
Balance, April 30, 2021 and October 31, 2021	\$ 2,457	\$ 58,185	\$ 60,642
Accumulated depreciation			
Balance, April 30, 2021	\$ 205	\$ 4,848	\$ 5,053
Depreciation during the period	410	9,696	10,106
Balance, October 31, 2021	\$ 615	\$ 14,544	\$ 15,159
Net value			
Balance, April 30, 2021	\$ 2,252	\$ 53,337	\$ 55,589
Balance, October 31, 2021	\$ 1,842	\$ 43,641	\$ 45,483

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

7. Capital Stock

On July 22, 2021, the Company completed a share consolidation of its share capital on the basis of fourteen (14) existing common shares for one (1) new common share consolidation. All common shares, per common share amounts, warrants and stock options in these unaudited condensed interim consolidated financial statements have been retroactively restated to reflect the share consolidation.

- a) Authorized - Unlimited common shares without par value
- b) Issued - 31,644,944 common shares

Six months ended October 31, 2021:

- (i) On May 6, 2021, the Company completed a marketed public offering of common shares in the capital of the Company, raising aggregate gross proceeds of \$9,000,005. The offering was conducted on a best-efforts agency basis by Stifel GMP as sole agent and book-runner (the "Agent"). Pursuant to the offering, the Company issued 9,183,679 common shares at a price of \$0.98 per common shares. As at April 30, 2021, \$1,901,027 in cash was received for this offering and was recorded as share subscription liability.

As consideration for its services in connection with the offering, the Agent received (i) a cash commission equal to 7% of the gross proceeds from the sale of the common shares, and (ii) non-transferable broker warrants (the "Broker Warrants") as is equal to 7% of the aggregate number of common shares sold pursuant to the offering, with each broker warrant exercisable to purchase one common share in the capital of the Company at the issue price until November 6, 2022. Notwithstanding the foregoing, a reduced cash commission of 2% and a reduced number of broker warrants equal to 2% was paid in respect of sales to certain purchasers on the president's list.

The Company has estimated the fair value of the 515,534 Broker Warrants at \$392,970 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138% (based on historical price data of the Company's common shares); risk-free interest rate of 0.30% and an expected life of 1.5 years.

Certain directors, and officers of the Company participated in the offering as to 377,566 common shares.

- (ii) On July 5, 2021, the Company issued 111,585 common shares at a price of \$1.54 to settle \$171,841 in indebtedness of the Company to a third party.
- (iii) On August 26, 2021, the Company agreed with the independent and non-executive directors to issue 36,195 common shares ("Debt Shares") to such directors in exchange for the cancellation of \$55,741 of director fees owing, after deduction of applicable withholding taxes. The Debt Shares were issued at a price of \$1.54.

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

7. Capital Stock (Continued)

b) Issued - 31,644,944 common shares (continued)

Six months ended October 31, 2020:

- (iv) On May 25, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of \$6,000,000 comprised of the sale of 8,571,429 common shares at a price of \$0.70 per common share. Directors and officers of the Company have subscribed for 492,857 shares through payment of proceeds in the amount of \$345,000.
- (v) On June 8, 2020, the Company completed a follow-on non-brokered private placement for aggregate gross proceeds of \$300,000 comprised of the sale of 194,805 common shares at a price of \$1.54 per common share.
- (vi) On September 17, 2020, the Company completed the acquisition of ARX and issued 9,632,860 common shares which were valued at the quoted market price of the Company's shares less a discount related to the escrow release conditions on the shares issued. Refer to note 4.
- (vii) During the six months ended October 31, 2020, a total of 342,619 warrants were exercised for gross proceeds of \$575,600.

c) Special Warrants

On September 22, 2020, the Company announced that it had completed a bought deal private placement of special warrants of the Company raising gross proceeds of \$10,020,000 (the "Offering").

Pursuant to the Offering, the Company issued 2,385,714 special warrants at a price of \$4.20 per special warrant. Each special warrant, subject to the Penalty Provision (as defined below) and subject to adjustments in certain circumstances, will be exercisable into one unit of the Company without payment of any additional consideration. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant being exercisable to acquire one common share of the Company at an exercise price of \$5.60 per warrant share for a period of 12 months following the closing of the Offering (the "Closing Date").

All unexercised special warrants were exercised on behalf of, and without any required action on the part of, the holders (including payment of additional consideration) on January 23, 2021.

The Company agreed to use its commercially reasonable efforts to qualify in Canada the distribution of (i) the unit shares and warrants issuable upon exercise of the special warrants, and (ii) the broker warrants issuable upon exercise of the broker options (each as defined below) and to obtain the Final Receipt therefor, on or prior to December 22, 2020.

As the Qualification Date did not occur on or before December 22, 2020, each special warrant was automatically exercised for 1.1 Units (the "Penalty Provision").

Pasofino Gold Limited

Notes to Condensed Interim Consolidated Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

7. Capital Stock (Continued)

c) Special Warrants (Continued)

As consideration for its services in connection with the Offering, the Company has paid to the Underwriters a cash commission and advisory fee equal to \$646,799 and issued to the Underwriters a total of 155,071 broker options (the "Broker Options") valued at \$340,000. Each Broker Option will entitle the holder thereof to automatically receive one broker warrant of the Company, without any additional consideration, on the Automatic Exercise Date, with each whole broker warrant entitling the holder thereof to acquire, subject to the Penalty Provision and subject to adjustments in certain circumstances, one Unit at a price of \$5.60 per unit for a period of 12 months following the Closing Date. The Company has estimated the fair value of these Broker Options at \$340,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 162%; risk-free interest rate of 0.23% and an expected life of one year.

d) Stock options

The following table summarizes the stock option transactions during the periods ended October 31, 2021 and 2020:

	Number of stock options	Weighted average exercise price
Balance, April 30, 2020 and October 31, 2020	19,643	\$ 0.70
Balance, April 30, 2021	19,643	\$ 0.70
Stock options granted (i)	2,664,278	1.40
Cancelled	(78,570)	1.40
Balance, October 31, 2021	2,605,351	\$ 1.39

(i) On June 24, 2021, the Company granted 2,664,278 stock options to directors and officers. The stock options have an exercise price of \$1.40 per share, are valid for a five-year period from the date of grant and are subject to regulatory approval. The options vest at one quarter every three months with the first quarter vesting on grant date. The fair value of the 2,664,278 stock options issued was estimated at \$2,731,400 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135% (based on historical price data of the Company's common shares); risk-free interest rate of 0.97% and an expected life of five years. For the three and six months ended October 31, 2021, the impact on the unaudited condensed interim consolidated statement of loss and comprehensive loss was \$996,238 and \$2,186,704, respectively.

The following table reflects the stock options issued and outstanding as of October 31, 2021:

Expiry date	Exercise price (\$)	Options outstanding	Weighted average remaining contractual life (years)	Options exercisable	Valuation (\$)
April 29, 2024	0.70	19,643	2.50	19,643	17,000
June 24, 2026	1.40	2,585,708	4.65	1,292,854	2,038,571
	1.39	2,605,351	4.62	1,312,497	2,055,571

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7. Capital Stock (Continued)

e) Warrants

The following table summarizes the warrant transactions during the periods ended October 31, 2021 and 2020:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2020	428,571	\$ 1.68
Exercised (note 7(b)(vii))	(342,619)	1.68
Balance, October 31, 2020	85,952	\$ 1.68
Balance, April 30, 2021	1,553,166	\$ 5.24
Issued (note 7(b)(i))	515,534	0.98
Expired	(1,553,166)	5.24
Balance, October 31, 2021	515,534	\$ 0.98

The following table reflects the warrants issued and outstanding as of October 31, 2021:

Expiry date	Exercise price (\$)	Warrants outstanding	Valuation (\$)
November 6, 2022	0.98	515,534	392,970
	0.98	515,534	392,970

8. Net Loss Per Share

The calculation of basic and diluted loss per share for the three and six months ended October 31, 2021 was based on the loss attributable to common shareholders of \$4,305,642 and \$8,783,415, respectively (three and six months ended October 31, 2020 - \$34,900,710 and \$35,322,525, respectively) and the weighted average number of common shares outstanding of 31,635,000 and 31,331,249, respectively (three and six months ended October 31, 2020 - 14,705,673 and 11,086,950, respectively). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

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9. Mineral Properties

Exploration and evaluation expenditures incurred during the three and six months ended October 31, 2021 and 2020 are as follows:

	Three months ended October 31,		Six months ended October 31,	
	2021	2020 (note 13)	2021	2020 (note 13)
Properties				
Roger Property (a)				
Exploration expenditures	\$ 1,747	\$ 69,842	\$ 1,747	\$ 239,929
	\$ 1,747	\$ 69,842	\$ 1,747	\$ 239,929
Dugbe Gold Project (b)				
Acquisition costs (note 4)	\$ -	\$ 30,809,344	\$ -	\$ 30,809,344
Camp and support costs	-	-	212,538	-
Drilling activities	-	1,686,390	488,948	1,686,390
Facility activities	70,955	-	140,376	-
Laboratory analysis	93,357	-	227,312	-
Option payment	-	670,365	-	670,365
Option project related costs	-	889,448	-	889,448
Professional fees	247,308	-	345,807	-
Road upgrades	538,593	-	1,067,403	-
Salaries	764,747	-	1,634,467	-
Study activities	718,503	-	1,976,794	-
Travel and accommodation	186,093	-	363,291	-
	\$ 2,619,556	\$ 34,055,547	\$ 6,456,936	\$ 34,055,547
Exploration and evaluation expenditures	\$ 2,621,303	\$ 34,125,389	\$ 6,458,683	\$ 34,295,476

(a) Roger Property

On May 27, 2021, the Company announced that it closed a transaction pursuant to an agreement with QC Copper whereby Pasofino sold its 50% interest in the Roger Property.

Terms of the transaction:

- Pasofino transferred its 50% interest in the project to QC Copper.
- Pasofino received \$1 million in cash (received) and 1,150,000 common shares (received and valued at \$241,500 based on the quoted market price of the QC Copper shares on the date of receipt) of QC Copper (note 5).
- The other 50% interest will remain with SOQUEM Inc.

QC Copper has no further obligations related to this transaction, unless within the next six months and at QC Copper's choosing, it publishes a new NI 43-101 technical report on the project with such report having a resource calculation equal to or greater than both the aggregate gold equivalent ounces or gold only ounces referred to in the Technical Report dated October 9, 2018. In such event, QC Copper shall issue a further 4,350,000 shares to Pasofino. It is understood that QC Copper is not required by the terms of the Amended Agreement to undertake the creation of any new technical report or 43-101 within the aforesaid six months or at all.

(b) Dugbe Gold Project

Refer to Note 4.

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10. Supplementary Expense Information

Office and General:	Three months ended October 31,		Six months ended October 31,	
	2021	2020	2021	2020
Administration and other expenses	\$ 89,376	\$ 49,395	\$ 162,524	\$ 134,124
Regulatory and shareholder filing fees	17,302	71,819	53,390	125,973
	\$ 106,678	\$ 121,214	\$ 215,914	\$ 260,097

Professional Fees:	Three months ended October 31,		Six months ended October 31,	
	2021	2020	2021	2020
Accounting fees	\$ 53,832	\$ 41,930	\$ 88,288	\$ 41,930
Consulting fees	99,430	106,166	156,489	115,741
Legal and audit fees	90,347	134,379	154,907	179,803
	\$ 243,609	\$ 282,475	\$ 399,684	\$ 337,474

11. Related Party Transactions

During the three and six months ended October 31, 2021 and 2020, the Company entered into the following transactions with related parties, not disclosed elsewhere in these unaudited condensed interim consolidated financial statements:

Summary compensation of key management:

	Three months ended October 31,		Six months ended October 31,	
	2021	2020	2021	2020
Legal fees ⁽¹⁾	\$ 52,410	\$ 253,421	\$ 134,587	\$ 253,421
Management fees	\$ 304,874	\$ 37,000	\$ 616,892	\$ 52,000
Director fees	\$ 52,500	\$ -	\$ 105,000	\$ -
Salaries included in exploration and evaluation expenditures	\$ 44,299	\$ 77,604	\$ 87,632	\$ 77,604
Share-based payments	\$ 741,368	\$ -	\$ 1,620,839	\$ -

⁽¹⁾ A firm provides to the Company legal services of which a member of the Board of Director of the Company is also a partner of the firm. During the three and six months ended October 31, 2021, \$52,410 and \$101,418, respectively (three and six months ended October 31, 2020 - \$18,011) of fees paid to this firm are included as professional fees and \$nil and \$33,169, respectively (three and six months ended October 31, 2020 - \$235,410) as share issue costs. As at October 31, 2021, the Company has a balance payable for \$50,808 (April 30, 2021 - \$144,985) to this firm. The amounts payable are unsecured, non-interest bearing and have no fixed terms of repayment.

Related parties include the Board of Directors and management, close family and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at October 31, 2021, the Company has a balance payable of \$32,000 to certain directors (April 30, 2021 - \$115,507) which is due on demand, unsecured and non-interest bearing.

See note 7(b)(i), note 7(b)(iii), note 7(b)(iv) and note 7(d)(i).

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12. Commitments and Contingencies

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder because of the Company not meeting its expenditure commitments.

The Company is party to certain contracts for the provision of management services to the Company. These contracts contain minimum commitments of \$528,000 due within one year and additional contingent payments of up to \$1,563,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

13. Amendments to Prior Period

Amendments were made to certain financial statement line items for the comparative period ending October 31, 2020 to correct the exploration expenses in that period. Those changes were as follows:

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss - Six Months Ended October 31, 2020	Original figure	Amended figure
Exploration expenses	\$ 34,120,096	\$ 34,295,476
Depreciation	\$ 23,837	\$ -
Net loss and comprehensive loss for the period	\$(35,170,982)	\$(35,322,525)
Basic and diluted loss per share	\$ (3.17)	\$ (3.19)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss - Three Months Ended October 31, 2020	Original figure	Amended figure
Exploration expenses	\$ 33,950,009	\$ 34,125,389
Depreciation	\$ 23,837	\$ -
Net loss and comprehensive loss for the period	\$(34,749,167)	\$(34,900,710)
Basic and diluted loss per share	\$ (2.36)	\$ (2.37)

Condensed Interim Consolidated Statements of Cash Flows - Six Months Ended October 31, 2020	Original figure	Amended figure
Net loss for the period	\$(35,170,982)	\$(35,322,525)
Depreciation	\$ 23,837	\$ -
Advance	\$ -	\$ (752,437)
Accounts payable and accrued liabilities	\$ 674,534	\$ 1,125,640
Purchase of property and equipment	\$ (476,711)	\$ -

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) - Six Months Ended October 31, 2020	Original figure	Amended figure
Deficit	\$(47,880,034)	\$(48,031,577)

14. Subsequent Event

On December 6, 2021, the Company announced a non-brokered private placement of common shares at \$0.70 (or US\$0.55) per share for gross proceeds of up to US\$5,500,000. Approximately US\$4,500,000 of the offering (being 8,225,092 common shares) has been subscribed for by Esan Eczacibasi Endustriyel Hammaddeler Sanayi ve Ticaret Anonim Sirketi ("ESAN"), a Turkish mining company. ESAN has been granted the right to nominate one director of the Board of the Company and a right to maintain its shareholding interest in the Company should the Company raise additional funds in the future by way of private placement or prospectus offering. The private placement is subject to certain closing conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSXV and applicable securities regulatory authorities. At the date of this report, the Company had received TSX

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approval for the first tranche of this placement and have received \$3,338,645 for issuance of 4,769,493 common shares. The remaining proceeds are expected to be received in the second tranche, pending approval of certain regulatory requirements for closing.